FITCH DOWNGRADES AMEREN GENCO TO 'CC'; REVISES AMEREN ILLINOIS' OUTLOOK TO STABLE

Fitch Ratings-New York-28 January 2013: Fitch Ratings has downgraded the Issuer Default Rating (IDR) of Ameren Energy Generating Company (Genco) to 'CC' from 'B-' and removed the Negative Rating Outlook. According to Fitch's ratings definitions, a 'CC' rating implies a very high level of credit risk such that default of some kind appears probable.

Fitch has also downgraded Genco's senior unsecured debt ratings to 'CCC-/RR3' from 'B+/RR2', based on an updated recovery valuation. Fitch has affirmed the 'BBB' IDR of Ameren Corp. (AEE), 'BBB+' IDR of Union Electric Company (UE), and the 'BBB-' IDR of Ameren Illinois Company (AIC). Fitch revised AIC's Outlook to Stable from Positive. The Rating Outlook for both AEE and UE remains Stable. A full list of rating actions follows at the end of this release.

The downgrade to Genco's IDR reflects Fitch's belief that, absent parental support or access to external borrowings, the merchant's business model, in the long-run,, is not sustainable.

The ratings recognize that Genco's parent holding company, AEE, no longer intends to provide financial support to Genco, including funding for the 2018 debt maturity of $300 million, and the significant capital spending required at the Newton coal-fired plant to be compliant with Illinois environmental regulations.

Genco has the ability to exercise a put option that permits the company to sell three gas-fired plants to an affiliate for the greater of $100 million or fair market value. While the cash inflow from monetizing the plants would provide financial flexibility, the core fundamentals of the business remain weak, driven by sustained depressed power markets, prolonged low natural gas prices, and anemic customer demand.

Fitch considers the exit from the merchant business to be credit positive to AEE as it lowers the company's business risk and allows it to focus on growing its more stable and predictable regulated utility businesses.

The revision of AIC's Outlook reflects the unfavorable rate decisions decided in late 2012 in the company's first two formula rate plan (FRP) proceedings, suggesting Illinois continues to be a challenging regulatory environment, in Fitch's view. The first two rate decisions resulted in an aggregate $53 million electric distribution rate reduction.

In light of the ICC's rate decisions, particularly reliance on an average rather than year-end rate base, Fitch expects regulatory lag to persist. The methodology to calculate rate base and capital structure are on appeal.

Under the FRP framework, AIC is required to invest more than $600 million over 10 years, above historical levels, in its transmission and distribution systems, with recovery of these investments to occur in the context of annual FRP proceedings, subject to ICC approval. AIC announced it is likely to defer approximately $30 million of infrastructure capex in 2013, until more clarity is provided in future FRP proceedings.

Fitch expects AIC's credit protection measures to be strong for the current rating category in the forecast period. Fitch expects FFO-to-interest to average 4.5x and FFO-to-debt 21% over 2013-2015. Those credit metrics alone would likely warrant a one-notch upgrade, but Fitch remains concerned about future rate proceedings. Fitch will closely monitor the next FRP proceeding to be filed in May 2013. A more constructive outcome could lead to a one-notch upgrade.

Fitch expects UE's credit protection measures to remain adequate for the current rating category and in line with utility peers with a similar risk profile. Fitch forecasts FFO-to-interest to average 5.1x and EBITDA-to-interest 5.2x over 2013-2015. FFO-to-debt is projected to average 23.1% and Debt-to-EBITDA 3.4x over the same time frame. UE's financial profile is bolstered by the recent balanced outcomes of its last four rate cases.

On Dec. 12, 2012, the Missouri Public Service Commission (PSC) authorized UE an electric rate increase of $259.6 million, approximately 80% of the company's updated request. The tariff increase is based on a 9.8% ROE, and a 52.3% common equity ratio. The PSC permitted UE to continue to use its fuel adjustment clause, subject to existing sharing provisions, and its vegetation management/infrastructure inspection tracker. The PSC also allowed UE to implement a storm cost tracker. Regulatory lag remains an issue in Missouri. The PSC relies on an historical test year with limited post-test year adjustments, and is prohibited from allowing construction work in progress (CWIP) in rate base.

UE plans on spending approximately $3.2 billion in capital investments over 2012-2016, including $2.8 billion in utility infrastructure and energy efficiency, and $400 million in pollution control equipment at its coal-fired plants. Fitch considers capex to be manageable.

Fitch forecasts AEE's consolidated credit protection measures to be in line with Fitch's target ratios for the current rating category. Fitch expects EBITDA-to-interest to average 4.4x and FFO-to-interest 4.3x over 2013-2015. Debt-to-EBITDA is projected to average 3.8x and FFO-to-debt 19.9% over the same time frame. Importantly, these ratios incorporate the negative effect of Genco's financial results. It is likely that, on a deconsolidated basis, AEE's credit metrics would be stronger than currently forecasted, which Fitch would take into consideration in its next credit review. AEE's credit protection measures are supported by current and projected utility tariff increases, and relatively low leverage at the parent level and utilities.

Fitch considers AEE's liquidity to be strong. The funding needs of AEE's regulated subsidiaries are supported through the use of available cash, short-term intercompany borrowings, drawings under the bank credit facility, and inter-company money pools. In November 2012, AEE renewed a $2.1 billion credit facility that matures in November 2017. Under the 2012 Missouri bank credit agreement, $1 billion is available for borrowing, and under the 2012 Illinois credit agreement, total available for borrowing equates to $1.1 billion. As of Sept. 30, 2012, AEE had approximately $2.38 billion of available total liquidity, including $298 million of cash and cash equivalents and $2.08 of unused credit facility borrowing.

Consolidated debt maturities are considered to be manageable with $355 million due in 2013, $534 million due in 2014, and $120 million due in 2015.

Genco Recovery Analysis:
The unsecured debt ratings are notched above or below the IDR, as a result of the relative recovery prospects in a hypothetical default scenario. Fitch values the power generation assets that support the entity level debt using a net present value analysis. The generation asset net present values vary significantly based on future gas price assumptions and other variables, such as the discount rate and heat rate forecasts.

For the net present valuation of generation assets used in Fitch's recovery valuation case, Fitch uses the plant valuation provided by its third-party power market consultant, Wood Mackenzie, as an input as well as Fitch's own gas price deck and other assumptions.

The 'RR3' senior unsecured debt Recovery Rating indicates Fitch estimates recovery of 51%-70%.

SENSITIVITY/RATING DRIVERS

Positive Rating Actions:

AEE: Stronger credit metrics from the exit of the merchant business could result in a positive rating action.
UE: No positive rating action is contemplated at this time.

AIC: A constructive rate order in AIC's next FRP proceeding that indicates less regulatory uncertainty could lead to a one-notch upgrade.

Genco: A significant turnaround in power prices and a successful execution of the sale of power plants at prices higher than estimated by Fitch.

Negative Rating Actions:

AEE: Adverse rate orders at the utilities could pressure the ratings.
UE: Deterioration of the regulatory environment in Missouri could lead to a rating action. The inability to earn a return of and on capital investments or to recover capital costs on a timely basis.
AIC: Unfavorable rate outcomes in future annual FRP proceedings and the inability to recover operating costs and capital investments on a timely basis would have a negative effect on credit protection measures.
Genco: Further weakness in power prices would likely trigger additional ratings downgrade

Fitch has downgraded the following ratings:

Ameren Energy Generating Company
--IDR to 'CC' from 'B-';
--Senior unsecured debt to 'CCC-/RR3' from 'B+/RR2'.

Fitch has affirmed the following ratings:

Ameren Corporation
--IDR at 'BBB'.
--Senior unsecured at 'BBB'.
--Commercial paper at 'F2';
--Short-term IDR at 'F2'.

Union Electric Company
--Long-term IDR at 'BBB+'
--Secured debt at 'A'
--Senior unsecured debt at 'A-'
--Preferred stock at 'BBB'
--Short-term IDR at 'F2'
--Commercial paper at 'F2'

Ameren Illinois Company
--Long-term IDR at 'BBB-'
--Secured debt at 'BBB+'

--Senior unsecured debt at 'BBB'

--Preferred stock at 'BB+'
--Short-term IDR at 'F3'
--Commercial Paper at 'F3'
--Senior secured pollution control revenue refunding bonds series 1998B issued by the Illinois Development Finance Authority at 'BBB+'
--Senior unsecured pollution control revenue refunding bonds series 1993C-1 issued by the Illinois Development Finance Authority at 'BBB'

The Outlook is revised to Stable from Positive

Contact:

Primary Analyst
Philippe Beard
Director
+1-212-908-0242

Fitch, Inc.
One State Street Plaza
New York, NY 10004

Condition 5

Secondary Analyst
Robert Hornick
Senior Director
+1-212-908-0523

Committee Chairperson
Glen Grabelsky
Managing Director
+1-212-908-0577

Media Relations: Brian Bertsch, New York, Tel: +1 212-908-0549, Email: brian.bertsch@fitchratings.com.

Additional information is available at 'www.fitchratings.com'. The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

Applicable Criteria and Related Research:
--'Corporate Rating Methodology' (Aug. 8, 2012);
--'Recovery Ratings and Notching Criteria for Utilities' (May 3, 2012);
--'Rating North American Utilities, Power, Gas, and Water Companies' (May 16, 2012).

Applicable Criteria and Related Research:
Corporate Rating Methodology
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=684460
Recovery Ratings and Notching Criteria for Utilities
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=693750
Rating North American Utilities, Power, Gas, and Water Companies
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=625129